



Legislation Text

File #: 10-0247, **Version:** 1

Resolution to Amend Resolution R-09-393 to Allocate \$245,000 in Neighborhood Stabilization Funds to Habitat for Humanity of Huron Valley (\$245,000 NSP Funds)

On September 21, 2009, Council approved the attached resolution (R-09-393). Historically, the City has received HUD funds directly from HUD as an entitlement community. However, under the Neighborhood Stabilization Program ("NSP"), the Michigan State Housing Development Authority (MSHDA) received an NSP allocation from HUD, and sub-granted the funds to the City. NSP, like many stimulus programs, was adopted by Congress quickly and without final administrative program guidelines. Both HUD and MSHDA are still adopting program guidelines for its sub-grantees, like the City of Ann Arbor.

At the time that Council adopted the original resolution, Community Development thought that implementation of the NSP program would be similar to its implementation of HUD funds received directly from HUD. When the City of Ann Arbor receives funds directly from HUD, the City can contract with developers, like Habitat for Humanity, to develop affordable housing. All proceeds from mortgages on properties funded with HUD funds are repaid back to the City to be used on future HUD eligible projects. Community Development's implementation plan was also consistent with the City's application to MSHDA for NSP funding.

MSHDA has recently made a decision that the City of Ann Arbor is a pass-through entity, and as such, all mortgage repayments will be paid back to MSHDA instead of the City. As a consequence, the City may contract directly with Habitat for Humanity to develop affordable housing and place a short-term mortgage on the property. However, when Habitat sells the house to an eligible homebuyer, the mortgage will be between MSHDA and the homebuyer, not the City and the homebuyer. The City will no longer receive any proceeds from this transaction as all proceeds from the homeowner mortgage will be paid directly to MSHDA. The following memorandum and resolution (R-09-393) have been amended in track changes to reflect this change in MSHDA's program guidelines.

Community Development recommends that Council adopt this amended resolution to enable Habitat to develop affordable housing.

Prepared by: Jennifer Hall, Housing Manager

Reviewed by: Mary Jo Callan, Community Development Director and Sumedh Bahl, Interim Community Services Administrator

RESOLVED, That Resolution R-09-393 is amended to read as follows:

Resolution to Allocate \$245,000 in NSP Funds to Habitat for Humanity of Huron Valley for the Acquisition, Rehabilitation and Resale of Affordable Housing to Low-Income Homebuyers and to Approve the Housing Affordability Agreement (\$245,000.00 NSP Funds)

Whereas, An application was received in January 2009 from Habitat for Humanity of Huron Valley ("Habitat") for financial assistance for the acquisition, rehabilitation and resale of affordable housing for low-income homebuyers;

Whereas, Habitat will leverage about \$60,000.00 in donations, grants and volunteer labor for each house acquired and rehabilitated; and

Whereas, This project will provide affordable housing for households between 30% AMI and 60% AMI, which is consistent with the City's Consolidated Strategy and Plan;

RESOLVED, That City Council approve the allocation of \$245,000.00 in Neighborhood Stabilization Program ("NSP") Funds to Habitat for Humanity of Huron Valley for the acquisition, rehabilitation and resale of affordable housing for low-income homebuyers, with a maximum of \$60,000.00 per home;

RESOLVED, That the loan to Habitat for each home shall be a 0% interest, two year, deferred payment loan, with repayment if the use changes from affordable housing, contingent upon environmental review and confirmation of NSP program eligibility for each house by the Office of Community Development;

RESOLVED, That as a condition of loan disbursement, Habitat will execute a housing affordability agreement, mortgage and promissory note for each house acquired, consistent with this resolution, subject to approval as to substance by the City Administrator and approval as to form by the City Attorney;

RESOLVED, That City Council approve the release of the mortgage upon sale to an income-qualified homebuyer, who will execute a mortgage with MSHDA based on the formula approved by MSHDA for the NSP program, contingent upon Office of Community Development verification that the buyer is income qualified at a maximum of 60% AMI and that each house has continued eligibility under the NSP program;

RESOLVED, That the Mayor and City Clerk be hereby authorized and directed to sign Housing Affordability Agreements with Habitat, as well as a subsequent mortgage release, consistent with this resolution, subject to approval as to substance by the City Administrator and approval as to form by the City Attorney with funds to be available until expended without regard to fiscal year; and

RESOLVED, That the City Administrator, or his designee, be authorized to take necessary administrative actions and to execute any documents necessary to complete this transaction and to implement this resolution.